



INTERNAL AUDIT CONTROLS EVALUATION CHILD DAY CARE

June 2, 2003

Roanoke City Council Audit Committee
Roanoke, VA

We have completed an audit of the Child Day Care division of the Department of Social Services. Our audit was performed in accordance with generally accepted government auditing standards.

BACKGROUND

The Social Services Child Day Care division is responsible for processing program applications, screening and qualifying applicants, monitoring applicant progress, and qualifying and monitoring service providers. The Program Supervisor coordinates the efforts of ten staff positions in operating the program. A Receptionist provides the first point of contact for case intake and application for services. There are five Child Care Social Workers who perform the bulk of the case assessment and management work. A Home finder assists in locating and qualifying care providers. A Community Services Specialist assists in providing education and training for care providers. A Consumer Education Specialist assists in providing education on childcare to applicants. And finally, a Teen Parent Specialist assists on cases involving the special needs of teen parents.

The majority of the Social Services day care programs receive 100% funding from federal grants. For the Fiscal Year ended June 30, 2002, the Social Services Child Day Care division dispersed approximately \$1,895,000 in daycare benefits for approximately 8,000 filed claims. On average, the Child Day Care division pays on claims for an average of 620 children per month. However, this processing volume does not account for the actual cases pending approval or action. On average there are approximately 60 applications accepted per month with an average of two children per application.

Benefit applicants, by law, must complete a screening process at the local level to apply for assistance with child daycare. Local Social Services representatives assess the applicant's income qualifications, validate the need for assistance based upon current or future employment or education goals, and validate the child client's qualifications based upon age and immunization status. Special preference is given to those individuals who are currently under age 18 and seeking secondary education. Applicants may qualify financially for full assistance or their income level may qualify them for a fee-based or transitional program in which they partially fund the assistance program. Once the screening phase is complete, the applicant will work with a Case Manager to develop a service plan to help them meet their employment or education

goals. The first priority in developing this plan is the selection of a qualified care provider.

Providers are classified into two main categories: 1. Family Day Homes, and 2. Day Care Centers. Family Day Homes are typically facilities where care is provided by individuals. Day Care Centers encompass established care/educational institutions and religiously exempt organizations. Either category is further defined as licensed or unlicensed by the state. Licensure is not mandatory to provide care but does provide some assurance of the level of operations and care. Regardless of category or licensure, certain minimum standards for health, safety, and care must be attained in order to qualify to provide services for children. Compliance with the minimum standards for care is monitored based upon licensing classification. State licensed facilities are monitored and inspected at regular intervals by both Virginia Department of Social Services personnel and City of Roanoke personnel. Non state licensed facilities are qualified, monitored, and inspected at regular intervals by City of Roanoke Social Services personnel.

Once the applicant is educated regarding the options available for child daycare and the needs of the child, they choose an approved provider. If the provider is not already approved by the Department of Social Services, then it must apply for provider status and meet the standard requirements. Once the approved provider is in place, a service plan is drafted to detail the services to be provided, length of service, and the service provider. In essence, this plan is a contract between the applicant and the Department of Social Services. After the initial Service Plan is drafted and services are implemented, caseworkers maintain regular contact with both the applicant and provider to assess qualifications for the program. Care providers are reassessed quarterly with documented person-to-person visits to assure that qualifications and standards of care are being met. These inspections are carried out by Virginia Department of Social Services personnel for state licensed facilities, and by City of Roanoke personnel for locally licensed facilities.

Applicants must sign a "Child Day Care Parent Reporting Responsibilities" form that requires them to submit any changes in qualifying status within 10 days of occurrence. At the conclusion of the service period a new Service Plan may be drafted as needed if services are required beyond the scope of the original plan and the applicant qualifies for those services. Applicants are reassessed annually by their caseworker to ensure that they meet the qualifications for services.

The Department of Social Services Administration staff are required to report program activity to the state in order to maintain compliance and qualification for grant funds. Child daycare expenditures are fully reimbursable, thus accurate accounting and reporting is essential to capture the maximum reimbursable amounts, thus minimizing the local financial burden. Each month, the activity for that month is captured and transmitted to the State Department of Social Services via the Locality Automated System for Expenditure Reimbursement (LASER). Reimbursement claim amounts are remitted to the City Treasurer via electronic funds transfer each month with a subsequent collections report being filed once receipt of funds is confirmed.

PURPOSE

The purpose of this audit was to evaluate the system of controls in place to insure:

- Applicant qualification criteria are met and maintained during the benefit period.
- Proper benefit payments are tendered to care providers for valid services.
- Vendor qualification requirements are met for standards related to safety, health, and care.
- Proper reimbursements from the state are received by the City of Roanoke.

SCOPE

The audit evaluated controls, policies, and procedures in place as of January 1, 2003. Our test work primarily focused on data from July 1, 2002 to February 28, 2003. As this area is primarily federally funded and heavily regulated, substantive testing was used in addition to controls testing to verify procedural compliance in the areas of applicant and vendor qualification and monitoring.

METHODOLOGY

We gained an understanding of the operation of the Child Day Care division through observation and interviews of employees in the department. We then documented our understanding of the systems involved using flowcharts and narratives. Next, we reviewed relevant internal source documents such as the Comprehensive Annual Financial Report, departmental Strategic Business Plan, and internal departmental procedures manuals and materials. We then conducted reviews of sample applicant and care provider files. Based on this information, we developed tests to evaluate the operation and efficiency of controls in compliance with existing policies and procedures. Additional testing in the form of care provider site visits was conducted to assess compliance with the standards of safety, health, and care provided to children. Sampling was performed on a judgmental basis on the criteria of amounts expended for services.

RESULTS

We performed controls and substantive testing to evaluate compliance with assessment and monitoring guidelines for applicants and care providers. The Child Day Care division of the Department of Social Services, in conjunction with the Virginia Department of Social Services, has developed a number of strong procedures for controlling and monitoring applicant and care provider transactions. Specific forms and information standards have been adopted to standardize the assessment and monitoring process. In addition, case reviews and provider evaluations are scheduled at regular intervals to ensure that service requirements are met. A hierarchical structure of review and approval is present to ensure that the appropriate standards are met and adequate documentation is present in both the applicant case files, and the care provider permanent files. An extensive review of 10 complete care provider files and over 200 applicant documents was conducted. Testing revealed that the records were materially compliant with state and local requirements. In addition, 10 day care provider site inspections were conducted utilizing the Virginia Department of Social Services quality guidelines for safety, health, and care. Although minor exceptions were noted

and reported to the Day Care Services division, the facilities were materially compliant with the quality guidelines.

We also performed controls testing to evaluate the processes related to invoice payment and reimbursement claims submitted to the Virginia Department of Social Services. The payment and reimbursement system provides a hierarchical review and approval structure on all documents. The contracted provider services are controlled by a strong budgetary and procurement process involving several layers of review, approval, and documentation. We reviewed over 180 check transactions and were able to accurately trace them to appropriately authorized source invoices and purchase of services agreements. As an additional measure, we were able to accurately vouch a random sample of invoices through the process phases to the final receipted collections reports to verify that the City of Roanoke received the proper reimbursement from the Virginia Department of Social Services.

CONCLUSION

Based on the results of the audit, we conclude that the system of internal controls in the Department of Social Services provides reasonable assurance that the Child Day Care transactions are valid and are processed accurately.

We would like to thank the management and staff of the Child Day Care division of the Department of Social Services for their cooperation and assistance during the course of this audit.

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